



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

INFORMATIONAL LETTER NO. 932

DATE: August 10, 2010

TO: Chief Financial Officers (CFO's) of Hospitals qualifying to receive Medicaid Disproportionate Share (DSH) Payments

FROM: The Iowa Department of Human Services, Iowa Medicaid Enterprise

RE: Independent Audits of DSH Payment Programs

Section 1923(j)(2) of the Social Security Act (the Act) requires States to have their Medicaid DSH programs independently audited each year. Iowa Medicaid has contracted with the Office of the Auditor of State (AOS) to perform this audit.

This is an audit that is required to be conducted annually. This audit will commence this month (August 2010) and will be applicable for payments that were received in state fiscal year 2007 (July 1, 2006 through June 30, 2007). The audit report must be completed and submitted to the Centers for Medicare and Medicaid Services (CMS) by December 31, 2010.

The audit will verify:

- ✓ The extent to which hospitals reduced uncompensated care costs to reflect the total expenditures claimed under section 1923 of the Act;
- ✓ That DSH payments to each hospital complied with the applicable hospital-specific limit;
- ✓ That only the uncompensated care costs of providing inpatient and outpatient hospital services to Medicaid-eligible and uninsured individuals as described in section 1923(g)(1)(A) of the Act were included in the calculation of the hospital-specific limits;
- ✓ That all Medicaid payments, including supplemental payments, were included in the calculation of the hospital-specific limits; and
- ✓ That there is separate documentation and records being retained of (1) all costs under the Medicaid program, (2) expenditures claimed under the Medicaid program, (3) uninsured costs used to determine payment adjustments under section 1923 of the Act, and (4) any payments made on behalf of the uninsured from payment adjustments under Section 1923 of the Act.

During the state fiscal years 2005 and 2006 audits, which were conducted last year, the AOS noted the following:

- Hospitals are required to maintain appropriate documentation in support of the data elements used in determining DSH qualifications and payments.
- Hospital providers are to include the dual-eligible (Medicare/Medicaid) days on the annual DSH Survey that is conducted by the IME Provider Cost Audits and Ratesetting Unit.

Beginning with the audit of the DSH program next year, hospitals may be subject to re-pay DSH funds that are unsupported by appropriate documentation.

The Iowa Medicaid Enterprise (IME) will make information and documentation available to the AOS that is being maintained at the IME (i.e., Medicaid costs and Medicaid expenditures). However, the IME doesn't regularly collect some of the information, such as specifics on uncompensated care costs. In order for the AOS to fulfill its audit obligation, their staff will either be performing on-site visits or requesting that you send in documentation for them to audit, for items on the list (above) that must be verified.

The AOS will be contacting you with a request for various supporting financial information related to this audit. They will be available to answer your questions at that time. Actual site visits, if applicable, will be arranged following this initial contact.